



INVESTIGATIONS

Defendant Sentenced to 24 Months of Supervised Release, Ordered to Pay \$69,934 in Restitution, and Permanently Debarred from Government Programs for Crop Insurance Fraud—Wisconsin

On September 3, 2020, in U.S. District Court, Eastern District of Wisconsin, a farmer was sentenced to 24 months of supervised release. The farmer also was ordered to pay a \$100 special assessment and \$69,934 in restitution. Furthermore, the farmer was permanently debarred from government programs. On January 24, 2017, United States Department of Agriculture (USDA) Office of Inspector General (OIG) initiated this investigation to determine if a Wisconsin farmer and his son, who is also a farmer, submitted false claims to their crop insurance companies to bolster their indemnities. OIG's investigation disclosed that between 2009 and 2014, both farmers submitted false statements to increase their indemnity payments. This was done by under-reporting and shifting corn and soybean production in some years and over-reporting corn and soybean production in other years increase their running Actual Production History. According to evidence collected during the investigation, the total fraud loss was approximately \$70,000. On December 12, 2019, in U.S. District Court, Eastern District of Wisconsin, two criminal informations were filed, charging the father and son farmers with one count of false statements in loan and credit applications and one count of theft of government funds, respectively. On January 6, 2020, in U.S. District Court, Eastern District of Wisconsin, the father pled guilty. The son's change of plea hearing is still pending.

Defendant Sentenced to 4 Months of Home Confinement, 24 Months of Supervised Release, Forfeited Property, and Ordered to Pay \$10,000 in Fines for Supplemental Nutrition Assistance Program Fraud and Money Laundering—Ohio

On September 8, 2020, in U.S. District Court, Northern District of Ohio, a store manager was sentenced to 4 months of home confinement and 24 months of supervised release. The store manager also was ordered to pay an assessment of \$200 and a \$10,000 fine. In addition, the store manager was ordered to forfeit property. On May 21, 2015, the USDA OIG initiated this investigation to determine if a slaughterhouse owner was illegally slaughtering goats in an uninspected manner at the facility, selling the meat for public consumption, and engaging in Supplemental Nutrition Assistance Program (SNAP) fraud. OIG's investigation revealed that the slaughterhouse owner operated an illegal, uninspected goat slaughter operation on a farm and committed criminal offenses that included money laundering, mail fraud, wire fraud, operation of an unlicensed money service business, tax fraud, SNAP fraud, and violations of the Clean Water Act. The slaughterhouse owner and other co-conspirators operated gas stations, convenience stores, restaurants, and a farm, and used these businesses to commit criminal acts and launder criminal proceeds by selling slaughtered lamb meat and accepting credit cards and SNAP electronic benefit transfer (EBT) cards as payment

mechanisms. Since the farm was not a legitimate business, the enterprise used gas stations and grocery stores to run credit and SNAP cards to conceal the source of the money. The slaughterhouse owner had been twice previously convicted of SNAP fraud.

The slaughterhouse owner used straw owners and corporations to conceal his ownership interest in the businesses in order to obtain food stamp licenses that he would have otherwise been barred from obtaining. From 2016 to 2019, in U.S. District Court, Northern District of Ohio, six individuals were charged via information or indictment with offenses related to the operation of the unlicensed slaughterhouse. The charges included: money laundering conspiracy; engaging in real estate transactions using laundered funds; felon in possession of a firearm; unpermitted discharges into a water of the United States; distribution of adulterated, misbranded, and uninspected meat; slaughter of animals for commercial use without a permit; and trafficking in counterfeit goods. One individual was acquitted, and five individuals pled guilty, all of whom have been sentenced. Between August 13, 2019, and September 8, 2020, in U.S. District Court, Northern District of Ohio, five individuals, including the above-mentioned store manager, were sentenced to a combined total of 33 months and 30 days in prison, 84 months of probation, 18 months of home confinement, and 48 months of supervised release. They were also ordered to pay a total of \$15,000 in fines and special assessments. This was a joint investigation with the Federal Bureau of Investigation (FBI) Organized Crime Task Force, FBI Joint Terrorism Task Force, Environmental Protection Agency Criminal Investigation Division, and Ohio Department of Agriculture.

Defendant Sentenced to 8 to 24 Years in Prison for Grand Larceny and Scheme to Defraud—New York

On September 9, 2020, in New York County Court, the director of a watershed coalition was sentenced to 8 to 24 years in prison. A fine and restitution hearing is pending. On May 12, 2017, USDA OIG initiated this investigation when it was notified that the director of a watershed coalition in New York may have misused monies associated with grants the coalition received from the U.S. Forest Service (FS), as well as other sources. The investigation revealed that the watershed coalition director created various fictitious invoices for which he sought reimbursement from USDA and State grantors. In March 2017, the watershed coalition director was charged with grand larceny in a state criminal complaint, which alleged that he stole more than \$69,000 in USDA grant funds. On May 29, 2018, in New York County Court, a grand jury charged the watershed coalition director with 22 charges including corrupting the government, defrauding the government, grand larceny, scheming to defraud, tampering with public records, falsifying business records, criminal tax fraud, and offering a false instrument for filing. On March 20, 2020, in New York County Court, following a jury trial, the watershed coalition director was convicted of grand larceny, scheming to defraud, and offering a false instrument for filing. This was a joint investigation between USDA OIG; Warren County, New York Sheriff's Office; FS; and the New York State Department of Taxation and Finance.

Defendant Sentenced to 45 Months in Prison, 60 Months of Probation, and Ordered to Pay \$2,538,772 in Restitution for Conspiracy and Fraud Schemes—Arizona

On September 14, 2020, in Superior Court of Arizona, a former school principal was sentenced to 45 months in prison and 60 months of probation. He also was ordered to pay

\$120 in fines and \$2,538,772 in restitution. The investigation, initiated by USDA OIG after receiving information from the U.S. Department of Education OIG, revealed that a school in Arizona fraudulently over-reported the number of enrolled students during the 2016–2018 academic school years in order to receive additional funding. During this time period, the school reported a total of 1,180 enrolled students; however, 644 of those students were determined fraudulent. School officials and employees conspired to create fake students that were then reported to the Arizona Department of Education, USDA, and the U.S. Department of Education. The scheme resulted in the school receiving approximately \$2.2 million in overfunding from the State of Arizona, \$91,000 in overfunding from the U.S. Department of Education, and \$230,000 in overfunding from USDA for meals under the National School Breakfast and National School Lunch Programs. On November 7, 2018, an information was filed, charging the school owner with one count each of conspiracy and theft, to which he pled guilty. On January 7, 2019, the school's former principal and former registrar were indicted on one count of conspiracy and two counts of theft. On February 14, 2020, the former principal pled guilty to two counts of theft, and on February 18, 2020, the former registrar also pled guilty to two counts of theft for reporting false student enrollment. Sentencing is scheduled for the former registrar and the school owner on September 23, 2020, and November 2, 2020, respectively.

Defendant Sentenced to 6 Months of Home Confinement, 60 Months of Probation, and Ordered to Pay \$1,696,651 in Restitution for Conspiracy and Fraud Schemes—Illinois

On September 15, 2020, in U.S. District Court, Northern District of Illinois, a storeowner was sentenced to 6 months of home confinement and 60 months of probation. She also was ordered to pay a \$100 special assessment and \$1,696,651 in restitution. On November 30, 2011, USDA OIG initiated this investigation based on allegations of SNAP benefits trafficking at an Illinois store. The investigation determined that two storeowners were exchanging SNAP benefits for cash. Additionally, while under investigation, the two storeowners opened another grocery store in the same physical location after the USDA Food and Nutrition Service (FNS) revoked the SNAP license of the previous store, and the storeowners used falsified information to apply for and receive approval to process SNAP transactions. On September 13, 2017, in U.S. District Court, Northern District of Illinois, both storeowners were indicted for offenses related to SNAP trafficking. On February 5, 2020, the first storeowner pled guilty to one count of wire fraud. On February 21, 2020, the second storeowner pled guilty to one count of mail fraud. The second storeowner's sentencing is scheduled for December 2020. This was a joint investigation with Department of Homeland Security, Homeland Security Investigations.

Defendant Sentenced to 24 Months of Probation and Ordered to Pay \$249,000 in Restitution for Theft of Government Funds—Minnesota

On September 16, 2020, in U.S. District Court, District of Minnesota, a storeowner was sentenced to 24 months of probation. He also was ordered to pay a \$100 special assessment and \$249,000 in restitution. On October 25, 2016, USDA OIG initiated this investigation to determine if the owner of a grocery store in Minnesota engaged in SNAP fraud. This investigation disclosed that the storeowner and at least one other employee of the grocery store were illegally trading SNAP benefits for cash and other unauthorized items. On November 29, 2019, in U.S. District Court, District of Minnesota, the storeowner was charged

in an information for one count of theft of government funds, and on December 16, 2019, he pled guilty to the aforementioned charge. This was a joint investigation with the FBI.

Defendants Sentenced to a Combined 20 Months in Prison and 96 Months of Probation and Ordered to Pay a \$50,000 Fine and \$87,192 in Restitution for Conspiracy, SNAP Fraud, and Wire Fraud—Ohio

On September 23, 2020, in U.S. District Court, Southern District of Ohio, a storeowner was sentenced to 12 months in prison and 36 months of supervised release. He also was ordered to pay a \$50,000 fine and forfeit \$87,192 to USDA from previously seized monies. Previously, on June 21, 2019, in U.S. District Court, Southern District of Ohio, the storeowner and his wife were found guilty after a two-week jury trial of charges that included conspiracy, conspiracy to commit money laundering, SNAP/EBT fraud, and wire fraud. The investigation, which OIG initiated in May 2017, was to determine if personnel at an Ohio store were exchanging SNAP benefits for ineligible items, specifically U.S. currency. Further OIG investigation confirmed that individuals at the store conducted multiple SNAP benefits for cash. The estimated SNAP fraud amount exceeded \$3.4 million from October 2010 through March 2018. Subsequently, the storeowner, his wife, and his brother, who also worked at the store, were indicted on multiple charges of conspiracy and fraud. Additionally, the indictment included multiple forfeiture allegation counts related to three bank account seizures, five vehicle seizures, and the seizure of U.S. currency in excess of \$201,000. The storeowner's brother pled guilty to unauthorized use of Federal food stamp access devices and was sentenced to 60 months of supervised probation. He also was ordered to pay \$5,000 court costs and \$14,123 in restitution to USDA. The storeowner's wife was sentenced to 8 months of home confinement and 60 months of supervised probation and ordered to complete 200 hours of community service. In addition, the storeowner and his wife were ordered to pay \$87,192 in restitution, jointly and severally.

RECENTLY ISSUED AUDITS

Report 50501-0022-12, *Security Over Select USDA Agencies' Networks and Systems FY 2019*, September 2020.

Interim Report 03601-0003-31 (1), *Market Facilitation Program—Interim Report*, September 2020.

Report 50501-0023-12, *U.S. Department of Agriculture's 2020 Compliance with the Geospatial Data Act*, September 2020.

Report 03702-0002-31, *Wildfires and Hurricanes Indemnity Program*, September 2020.

Report 03601-0004-41, *Livestock Indemnity Program*, September 2020.

Report 03702-0001-23, *2017 Emergency Assistance for Honeybee Claims*, September 2020.

Inspection Report 50801-0001-12, *Implementation of the IT Modernization Centers of Excellence Improvements*, September 2020.

Report 33701-0001-21, *National Veterinary Stockpile Oversight*, September 2020.

Report 11401-0005-31, *Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management FY 2020*, September 2020.

Report 11403-0004-12, *Independent Service Auditor's Report on FMS' Description of Its Financial Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for October 1, 2019 to June 30, 2020*, September 2020.

Report 27601-0005-41, *Consolidated Report of FNS and Selected State Agencies' Controls Over SFSP*, September 2020.